

5. PURCHASING A FIXER-UPPER

You were reviewing Sunday's real estate ads and you see a classified that states; Home for sale by owner, great location, needs some work. You call the owner and find out it is in the neighborhood you want to live in and the price is extremely reasonable. You arrange with the owner to meet at the house the next day with your real estate agent.

What should your next step be? Having personally bought and sold residential real estate I'd recommend looking at confirming three things prior to putting in an offer:

- 1) What is the properties true value?
- 2) What is the existing condition of the property?
- 3) What work is required to make the house livable?

Once you have answered these three questions you are ready to make an intelligent decision on what to offer and what money you can anticipate spending to make it the place what you want it to be.

To determine the properties true value you will need to do two things. The first is to have your real estate agent pull up from the Multiple Listing Service comparable properties in the neighborhood and see what they are selling for. This will give you a good idea what the market value is. Your real estate agent should also be able to pull up previous sales in the area which would show what the asking price was and what it actually sold for. This can be very useful in adjusting the asking price to determine a fair purchase price. You also can actually get the previous sales price, in some cases, by digging through old county files at the County Courthouse. Though this information is not always available it can be extremely helpful to know what the property sold for and when it sold last. This information can be used in the same way as the comps or recent sales in the area.

With this information in hand your are still not ready to determine what price your going to offer until you look at the house. The inspection process begins before you even arrive at the property. Look around as you drive through the neighborhood. Is there pride of ownership? Is it a rental or mostly family occupied neighborhood? Is there graffiti or trash all over? Keep the answers to these questions in your mind and as you drive up to the property how does the approach feel? Is there enough off-street parking? Is there room for expansion of the existing residence? Has the yard been kept up?

Is there junk or trash on the site? These factors will determine the neighborhood and street appeal of the property which is important for value and resale purposes.

As you walk around the residence look for large cracks in the stucco, windows that are out of square, concrete slabs that have cracked. These could be signs of inadequate structure or major building settlement. If these are present I would recommend calling a Structural Engineer for him to review it and make any recommendations. The other main concern on the exterior is the condition of the roof. I always go onto the roof and look for some specific items. Are there cracks or bubbles in the roofing material. At the connection between the roof and the parapet has the roofing cracked or pulled away from the wall? Are roof penetrations properly sealed? These questions will lead you to a quick determination on whether you will need to replace the roof and always keep in mind in old houses you may have no insulation in the roof and there may be three, four or even five roofs on the building and by code if there are two or more roofs already in place these must be stripped off before a new roof is installed. Also look at how the water drains. Is there adequate slope? Does pounding occur on the roof?

It is now time to look at the interior of the house. I typically start by looking at the big ticket items like electrical, plumbing, mechanical and structural. On electrical look at whether all switches and lights work, how old the existing electrical wire looks and if the electrical panel appears legal and if it has the required disconnects and circuit breakers. Sometimes by turning all the lights and appliances on all at once to see if the panel can handle the demand. If anything does not feel right and you see signs like exposed wire I would call an electrician in to walk-thru the residence.

To check plumbing first look and see if the pipes coming off the water heater are copper, if they aren't then service is probably old. I also check the water pressure, the length of time the hot water takes to get to the faucet, if toilets flush properly, how quick a tub or shower drains and check the make and model # of the water heater to see if it's age will probably mean it will need to be replaced anytime soon. Other issues if you're dealing with a property fed by a well are quality of water (a water test starts at about \$100), have a professional

check all pumps and do a flow test on the well. You can even get well reports from the State Engineers office.

Depending on what kind of heating/cooling system is in the house, here are some quick and easy things to check. Turn up the thermostat(s), does the boiler or furnace kick on promptly? Is there a vent to the outside and is there a grill into the room or closet introducing fresh air? Do the filters look clean? As with the water heater also take down a manufacturers name and model number to determine if the unit is to small for the size of the house and how old it is.

Checking structure is also important. Are any ceilings sagging? Have any of the floors become soft and spongy (could be wood rot underneath)? Do any of the walls or ceilings have paint peeling off or plaster falling off the walls? This could mean water has been leaking into the building. These last four items can cost \$1000's to correct and I look at these items first, on the interior. Then it is time to look at the fun stuff. Start by thinking what you would ideally like this house to be like. First of all could it ever be what you wanted it to be? Obviously if the answer is immediately no as you drive up to the house do not waste your own and your agents time, do a quick walk-thru and leave. If you think it might fill the bill then start looking at the quick and easy things you could do to fix it up. Sometimes removing everything added by the different owners over the years will really clean up the space and bring the building back to it's more original condition. Always remember that if you are looking at purchasing a property in the Historic District you may be limited to what you can do but the Historic Style staff at the city of Santa Fe will be happy to talk to you.

Other things to look for are concealed beams or vigas above dropped ceilings or plaster ceilings. Wood floors under existing carpeted areas and if your really lucky discovering a below grade root cellar lined in stone (which actually happened to me). Buying can be tough, but when you find a great place, weigh all the above factors and come up with an offer, make the offer, buy the house and you will start a project with probably no end.